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MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL EXECUTIVE

COMMITTEE. MEETING OF DECEMBER 11, 1962. 10:00 A.M.

U. S. SHORT TERM POLICY TOWARD BRAZIL

Recommendation

It is recommended that

1. Within the next two weeks, i.e., before Christmas 1962, there be a discussion with President Goulart in general terms, which would reflect the views of President Kennedy and which would emphasize (a) U.S. concern over political and economic developments in Brazil; (b) U.S. desire to collaborate with Brazil in both political and economic fields; and (c) U.S. conviction that such collaboration will be impaired as long as certain difficulties persist. A proposed speaking paper to initiate such a discussion is contained in the draft at Tab A (it is left open whether the discussion on behalf of the President should be by a representative sent specially for that purpose or by the U.S. Ambassador speaking for and on instruction from the President).
2. Thereafter there be conducted with President Goulart a continuing personal dialogue on behalf of President Kennedy (in which Presidential letters could be used as well as personal representations by the Ambassador) on selected specific issues of major importance. It is probable that the major immediate issues will concern Brazilian internal decisions in the economic field (economic stabilization and climate for private foreign investment). However, these will also have substantial political significance and internal political repercussions.
3. If President Goulart's initial reaction to these discussions should be favorable and he should begin to change accordingly the orientation of his government, the U.S. should avoid ostentatious favoritism toward those elements in Brazil friendly to us but hostile to President Goulart.
4. Actions which the U.S. should initiate in the OAS with respect to Cuba for the purpose of protecting national and hemispheric interests should not be avoided for fear of adverse Brazilian reaction. At the same time, otherwise unsound actions should not be initiated merely for the purpose of isolating Brazil.
5. The question of the date of a Presidential visit to Brazil should be deferred for the time being.
6. Any further large-scale assistance to Brazil in connection with an economic stabilization program should be considered only after Brazil had taken certain significant positive steps, both economic and political, and should be phased in accordance with Brazilian performance under such a program. Specific

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precondition should include satisfactory settlement of the IT&T Case, a clear Brazilian Administration position on remedying the defects in the present profits remittance law, and a public posture of collaboration in the Alliance for Progress, in addition to the necessary measures for economic stabilization.

Reasons

1. The existing alternatives for the United States are:
 - A. To do nothing and allow the present drift to continue.
 - B. To collaborate with Brazilian elements hostile to Goulart with a view to bringing about his overthrow.
 - C. To seek to change the political and economic orientation of Goulart and his government.
2. Alternative A is rejected because the Brazilian internal and external financial crisis, with exhaustion of foreign exchange reserves, will require a United States reaction, either positive or negative, to the new Brazilian economic stabilization program to be presented in January. The present situation, in short, is unstable, and will have to turn soon either for the better or for the even worse. (See Tab B for description of present political and economic situation.)
3. Alternative B is rejected at this time because there is not sufficient evidence of either (a) effective military or civilian opposition leadership in Brazil in a position to act promptly; (b) an organized opposition movement with a present capacity and will to overthrow the Goulart government; (c) a near-future U.S. capability to stimulate such an operation successfully. The needs and possibilities of shifting to alternative B, however, must be kept under active and continuous consideration.
4. Alternative C is selected as the only feasible present approach and as one having a reasonable chance of success. It should in any case be tried before deciding to shift to Alternative B.
5. The following considerations indicate that representations should be made to President Goulart within the very near future:
 - (a) The Brazilian critical foreign exchange problem is imminent and the Dantas mission to the United States to seek large-scale economic assistance is expected in mid-January.
 - (b) President Goulart will be making decisions on new government appointments in anticipation of the restoration of the presidential system following the January 6 plebiscite.

(c) U.S. prestige and credibility are high and Soviet reliability correspondingly low as a result of the Cuban crisis. (This, however, may be a diminishing asset with the passage of time.)

6. Confrontation of President Goulart on internal and external policies may produce a change of trend, but is unlikely to bring a total one-shot conversion. It will be necessary to maintain pressure and continually to join issue with him on specific topics. Having in mind our evaluation of President Goulart and our past experience with him this can best be accomplished by:

- A. Creation of a personal relationship between President Kennedy and President Goulart with repeated personal approaches to President Goulart on behalf of President Kennedy.
- B. Simple ad hoc approaches related to specific issues and situations.
- C. Seeking to influence key Goulart advisers receptive to our views.
- D. Continuing to encourage Brazilian moderate democratic elements in Congress, the Armed Forces and elsewhere who advocate domestic and foreign policies which we can support.
- E. Adjusting U.S. assistance and cooperation to Brazilian performance.
- F. Making any financial assistance required to meet immediate foreign exchange shortages available on a short-term basis on conditions implying no long-term commitment.
- G. Pressing President Goulart to take public positions on issues which are critical for U.S.-Brazilian cooperation.
- H. Large tolerance of Brazilian differences with us on non-essential matters.

7. With the passing of the Cuban crisis, Cuba is not a major issue in Brazil. Actions with respect to Cuba in OAS should not be contrived merely to challenge Brazil. But essential hemispheric decisions on Cuba can be utilized to apply pressure and force choices.

Discussion

In January or soon thereafter representatives of President Goulart, led by the new Finance Minister San Tiago Dantas, will be coming to this country to explore with us a large-scale, long-term program for bringing under control their deteriorating financial situation. They will be asking us for substantial financial assistance and for support in obtaining help from other governments and international agencies. However, it is undesirable to address ourselves seriously to this important problem without some clearing of the air

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with the Brazilian government on recent adverse political developments in Brazil. Also we need to present our views on the political front immediately so that we can bring our influence to bear on important near-future political decisions (e.g., appointments to the new cabinet). A political confrontation and developments flowing from it could help clear the air sufficiently so that we will know in which direction to move not only in the matter of broad financial assistance but also in various other dealings with the Brazilian Government. Such a political confrontation now would be especially timely in view of the foregoing factors.

Unconditional support to the Goulart administration without a political confrontation might be justified now only if we wanted to gain time against a strong expectation that events within the country would bring about either the early overthrow of President Goulart or a near-future change in his policies. We might then continue unqualified support to maintain a favorable image of the U.S. in Brazil and to deny ammunition for diversionary tactics by President Goulart and his supporters. However, such unconditional support cannot be justified because (a) there is not sufficient expectation that either of the alternatives will come to pass without some positive action on our part; (b) our unconditional support could in fact encourage President Goulart and extremists around him to continue their present course and we would thus contribute to a further deterioration of the political and economic situation.

There are limited possibilities of confronting President Goulart on the international front. Unless Brazil should make a clear break with the rest of the countries of this hemisphere, an effective confrontation will be difficult. While the Brazilian position was ambiguous and deliberately confused during the recent Cuba experience, they did vote along with the other American Republics. It is possible that Brazil might be forced to shift its policy to avoid putting itself in isolation in the hemisphere. In this regard, however, we can only continue our firm policy in the OAS and confront or isolate Brazil only as Brazil makes such action necessary. We should not, however, overlook opportunities to deny prestige to Brazil's "neutralist, peace-making" role insofar as it encourages resistance to U.S. policy objectives in this hemisphere.

One should not expect that a major political confrontation with President Goulart will bring about his sudden and complete conversion. He will still maintain at least some of his alliances with leftist elements. He will still be limited by his own ineffectiveness and excessive preoccupation with political power maneuvers. A major political confrontation could, however, influence President Goulart toward a more moderate and more constructive political course, including much heavier reliance on center forces in the country willing to collaborate with him if he acts responsibly, in which more harmonious U.S.-Brazil relations could be maintained.

If there is such a political confrontation, it is unlikely that President Goulart will react violently against the representations or against the U.S. unless our posture is too drastic. It will be necessary to avoid any suggestion that President Goulart is incompetent or ineffective. It may be necessary in the discussion to acknowledge some of the leftist

developments of the past eight months as part of an understandable past political strategy even while we object thereto in terms of their adverse impact on U.S.-Brazil relations. It may be necessary to stress the importance of key government personnel more fully representative of Brazilian political thinking as a basis for effective Brazil-U.S. relations, rather than directly criticizing the quality and character of recent cabinets. In short, the confrontation must be phrased so as to avoid any avoidable offense to President Goulart.

The confrontation must also offer positive inducements. Not only might there be a citation of the unhappy experience of other nations which have trusted the communist nations too much, but there should be positive expressions about President Kennedy's great hopes for the future of Latin America; about the need for hemispheric solidarity in improving, and accelerating advances under, the Alliance for Progress; and about the special leadership role of Brazil as the southern giant. It would be useful, too, to cite the precedent of President Goulart's early political patron, Getulio Vargas, who in the early '40s made the wise decision of putting Brazil unequivocally on the side of the Allies and who developed a special relationship with President Roosevelt in so doing. Additionally it would be desirable to hold forth the promise of serious consideration to their request for help on their larger financial program, based on a serious effort to promote development within a framework of financial stabilization. All of this would be phrased as contingent upon the expectation that obstructions to effective Brazil-U.S. relations would be removed.

From past experience it is probable that President Goulart will appear reasonably responsive in any confrontation along the lines suggested above. However, experience has also demonstrated that President Goulart can be glib on general assurances and weak on specific performance. It would therefore be desirable for the U.S. Ambassador to follow up and discuss one at a time in subsequent conversations with President Goulart all of the important items covered in the general confrontation. One meeting, for example, might be on the subject of positive steps being taken by the U.S. to move ahead on the Alliance for Progress and the matching steps which should be taken by the Brazilian Government to give positive constructive support to the Alliance as a joint Latin American-U.S. venture. Another meeting might be devoted to the climate for private investment and obstructions thereto. There will be many other specific issues for similar follow-up.

The foregoing course of action could discourage, but is not designed specifically to cope with, the possibility that President Goulart may have decided, or may decide, to move toward a left-wing dictatorship or toward other undemocratic developments, with the support of his extreme leftist allies. This might involve suspending the Congress or intervention in the government of various states. If there should be future developments in this direction, the United States should be ready to shift rapidly and effectively to Alternative B—collaboration with friendly democratic elements, including the great majority of the military officer corps, to unseat President Goulart.